

BUDGET LETTER

SUBJECT: GENERAL STATEWIDE SECTIONS AND GOVERNMENT CODE SECTION 12439	NUMBER: 02-32
REFERENCES: BUDGET ACT OF 2002 (CHAPTER 379, STATUTES OF 2002)	DATE ISSUED: September 24, 2002
	SUPERSEDES: BL 01-22

TO: Agency Secretaries
Department Directors
Departmental Budget Officers
Departmental Accounting Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

The 2002 Budget Act contains various changes to the General Statewide Sections that may affect a wide range of departments. Sections 3.80, 3.91, 4.50, 8.00, 10.00, 11.10, 17.00, 31.50, 31.60 and 31.70 were added to the Budget Act of 2002. Section 3.90, 4.20 and 11.80 were revised. The new or revised Sections are outlined below. For additional information regarding these Sections, please contact your Department of Finance (Finance) Budget Analyst or the Finance analyst responsible for the Section, as listed at the end of this Budget Letter.

SECTION 3.80—EMPLOYER-PAID LIFE INSURANCE

Section 3.80 allows Finance to adjust amounts in any appropriation item to reflect decreased departmental life insurance costs. The reduced costs are a result of the premium offset available for employer-paid life insurance as a result of the availability of demutualization proceeds. Further instructions will be provided in the Employee Compensation Budget Letter.

SECTION 3.90—UNALLOCATED STATE OPERATIONS REDUCTION

Section 3.90, as proposed to be added to the Budget Act of 2002 by AB 593 authorizes the Director to reduce state operations appropriations by up to five percent of expenditure authority to reflect a total reduction of up to \$750,000,000. Reductions will be allocated by the Director of Finance and will be based on plans submitted by Agency Secretaries or other appropriate entity. The reductions will be reflected in the 2003-04 Governor's Budget and reported to the Joint Legislative Budget Committee and the budget committee in each house of the Legislature. Finance Budget Analysts have provided verbal instructions to departments.

SECTION 3.91—EARLY RETIREMENT PROGRAM

Section 3.91, as proposed to be added to the Budget Act of 2002 by AB 593 directs the Governor to issue an executive order in accordance with Section 20901 of the Government Code and Section 22715 of the Education Code to provide State employees from designated units that meet the required conditions an additional two years of service credit. A Budget Letter will be issued shortly providing further instructions.

SECTION 4.20—PUBLIC EMPLOYEES' CONTINGENCY RESERVE FUND

Section 4.20 changes the employer's contributions to the Public Employees' Contingency Reserve Fund to 0.2 percent, of the gross health insurance premiums paid by the employer and employee for administrative expenses, from 0.5 percent. This Section allows Finance to adjust departments' appropriations to reflect the decreased costs.

SECTION 4.50—AMERICANS WITH DISABILITY ACT (ADA) BARRIER REMOVAL

Section 4.50 authorizes Finance to augment, by up to \$33 million in the aggregate, during the 2002-03 fiscal year, any special fund and/or non-governmental cost fund item of appropriation to fund the cost of architectural barrier removal projects in State buildings to provide access for the disabled. A written 30-day notification to the Joint Legislative Budget Committee is required. Only projects approved by the ADA Task Force, which is chaired by the Director of the Department of Rehabilitation, will be eligible for funding under this Section. Note that Finance will only augment pursuant to this Section if the special or non-governmental cost fund that will support the project has a sufficient reserve balance to cover the amount of the augmentation without requiring a fee increase to support the augmentation.

SECTION 8.00—ANTI-TERRORISM FEDERAL REIMBURSEMENTS

Section 8.00 authorizes Finance to allocate to State and local governments amounts received from the federal government for anti-terrorism costs. These allocations may be used to offset expenditures incurred in 2001-02 and ongoing or to fund new costs for the 2002-03 fiscal year. Allocations made pursuant to the Section may not be authorized sooner than 30 days after notification to the Joint Legislative Budget Committee.

SECTION 10.00—UTILITY SAVINGS

Section 10.00 authorizes Finance to adjust amounts in any appropriation item, or in any category thereof, to adjust General Fund, special fund, and non-governmental cost fund appropriations to reflect decreased departmental costs as a result of utility savings from completed energy efficiency or conservation projects. On or before August 15, 2003, Finance shall provide, to the Joint Legislative Budget Committee, a report of all budget adjustments made pursuant to this Section

SECTION 11.10—STATEWIDE SOFTWARE LICENSES

Section 11.10 requires Finance approval and 30-day notification to the Joint Legislative Budget Committee and the fiscal committees prior to a department entering into or amending a statewide software license agreement not previously approved by the Legislature, that obligates State funds in the current year or future years, whether or not the obligation will result in a net expenditure or savings. This Section does not apply if the amount of the proposed contract or amendment is less than \$1 million in the aggregate. Finance has distributed a separate Budget Letter describing the circumstances requiring reporting and the procedures to be followed.

SECTION 11.80—MANDATE APPROPRIATION FOR PRIOR YEAR DEFICIENCIES

Section 11.80 provides that, notwithstanding provisional language that allows the State Controller to shift funding between mandated programs within a budget item, the unexpended balance of specific, non Proposition 98 related mandate appropriations shall revert to the General Fund as of June 30, 2002.

SECTION 17.00—HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT

Section 17.00 displays funding totaling \$79,165,000 for applicant State agencies, departments, boards, commissions or other entities of State government in support of federal Health Insurance Portability and Accountability Act (HIPAA) compliance activities. This funding is appropriated either in individual departmental Budget Act items or Item 9909, the statewide HIPAA item.

SECTION 31.50—VACANT POSITION LIST

Section 31.50 requires departments that have unspecified vacant positions to be abolished to submit to Finance no later than September 1, 2002, a list of the actual positions to be abolished and the Change in Established Positions, Form 607, documents necessary to eliminate the positions from the SCO payroll roster. If the Final Change Book identifies an unspecified lump sum reduction, the specific abolished positions must be included as a non-add entry in the Changes in Authorized Positions presentation in the 2003-04 Governor's Budget. Budget Letter 02-22 provides further instructions to State departments on this reduction.

SECTION 31.60—ABOLISHMENT OF 6,000 PERMANENT VACANT POSITIONS

Section 31.60 requires the elimination of a minimum of 6,000 permanent positions that were vacant on June 30, 2002, from all boards, commissions, departments, agencies, or other employment authorities of the State, as determined by the Director of Finance. The Director of Finance is authorized to unallot and revert savings attributable to this section to the appropriate fund sources. The total amount of the unallotments shall be at least \$300 million. Budget Letter 02-13 provides further guidance to State departments on this reduction. Further instructions will be provided in a future Budget Letter.

SECTION 31.70—AUGMENTATIONS RELATED TO SECTION 31.60 REDUCTIONS

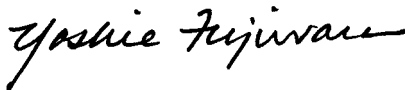
Section 31.70 authorizes the Director of Finance to augment any appropriation in the Budget Act by an amount the Director of Finance determines to be necessary to ensure that a department has an appropriate level of appropriations after any unallotment of funds pursuant to Section 31.60. The Director of Finance shall not approve an augmentation that is greater than the amount of the unallotment pursuant to Section 31.60. The total amount of augmentations shall not exceed 50 percent by fund source of the total amount unallotted pursuant to Section 31.60. Further instructions will be provided in a future Budget Letter.

GOVERNMENT CODE SECTION 12439—ABOLISHED VACANT POSITIONS

AB 3000 proposes to amend Government Code Section 12439. Beginning July 1, 2002, any State position that is vacant for six consecutive monthly pay periods will be abolished by the SCO on the following July 1. **The six consecutive monthly pay periods can occur within one fiscal year or between two consecutive fiscal years.** The amendment includes criteria for exempting positions from being abolished and revises the reporting timeframes for the SCO.

If you have any questions regarding these Sections, please call the following Finance staff:

- Section 3.80 – Bob Sands – (916) 445-3274
- Section 3.90 – Lajunta Inman – (916) 322-5540
- Section 3.91 – Bob Sands – (916) 445-3274
- Section 4.20 – Bob Sands – (916) 445-3274
- Section 4.50 – Don Rascon – (916) 445-6423
- Section 8.00 – Lajunta Inman – (916) 322-5540
- Section 10.00 – Karen Finn – (916) 445-9694
- Section 11.10 – Bob Sands – (916) 445-3274
- Section 11.80 – Keith Gmeinder (916) 445-8913
- Section 17.00 – Patrick Kemp – (916) 445-6423
- Section 31.50 – Bob Sands – (916) 445-3274
- Section 31.60 – Bob Sands – (916) 445-3274
- Section 31.70 – Bob Sands – (916) 445-3274
- GC Section 12439 – Bob Sands – (916) 445-3274



Yoshie Fujiwara
Program Budget Manager

Upcoming Budget Letters

- Employee Compensation
- Control Sections 31.60 and 31.70
- 2003-04 General Administrative Costs (Pro Rata and SWCAP)
- Checklist of Information to include in Budget Galley.